S&P Global
Market Intelligence

CMS Energy Corporation NYSE:CMS

FQ2 2026 Earnings Call Transcripts

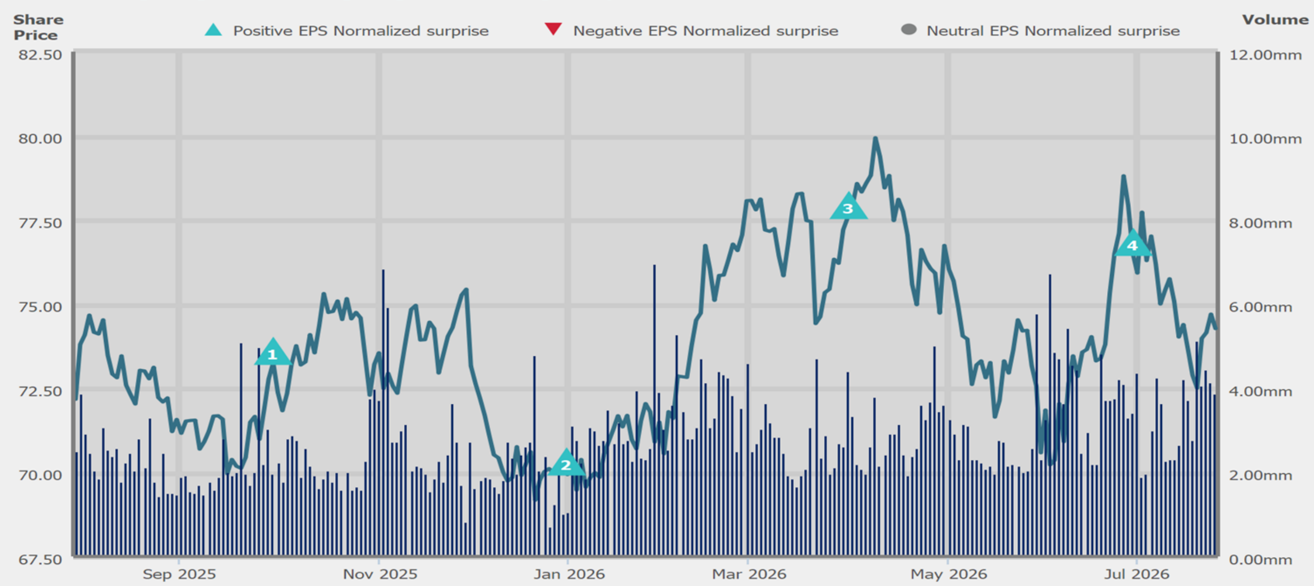
Tuesday, July 28, 2026 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.36	0.37	▲2.78	1.13	3.87	4.17
Revenue (mm)	1709.19	1829.00	▲7.01	2158.70	8954.69	9421.00

Currency: USD
Consensus as of Jul-27-2026 12:34 PM GMT

Stock Price [USD] vs. Volume [mm] with earnings surprise annotations



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	0.86	0.93	▲1 8.14 %
FQ4 2025	0.94	0.95	▲2 1.06 %
FQ1 2026	1.10	1.13	▲3 2.73 %
FQ2 2026	0.36	0.37	▲4 2.78 %

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EXECUTIVES

Garrick J. Rochow
President, CEO & Director

Jason M. Shore
Treasurer & VP of Investor Relations

Srikanth Maddipati
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JPMorgan Chase & Co, Research Division

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Michael P. Sullivan
Wolfe Research, LLC

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

Richard Wallace Sunderland
Truist Securities, Inc., Research Division

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Travis Miller
Morningstar Inc., Research Division

Presentation

Operator

Good morning, everyone, and welcome to the CMS Energy 2026 Second Quarter Results. The earnings news release issued earlier today and the presentation used in this webcast are available on CMS Energy's website in the Investor Relations section. This call is being recorded. [Operator Instructions] Just a reminder that there will be a rebroadcast of this conference call today beginning at 12:00 p.m. Eastern Time, running through August 4. This presentation is also being webcast and is available on CMS Energy's website in the Investor Relations section.

At this time, I would like to turn the call over to Mr. Jason Shore, Treasurer and Vice President of Investor Relations.

Jason M. Shore
Treasurer & VP of Investor Relations

Thank you, Abby. Good morning, everyone, and thank you for joining us today. With me are Garrick Rochow, President and Chief Executive Officer; and Sri Maddipati, Executive Vice President and Chief Financial Officer. This presentation contains forward-looking statements, which are subject to risks and uncertainties. Please refer to our SEC filings for more information regarding the risks and other factors that could cause our actual results to differ materially. This presentation also includes non-GAAP measures. Reconciliations of these measures to the most directly comparable GAAP measures are included in the appendix and posted on our website.

And now I'll turn the call over to Garrick.

Garrick J. Rochow
President, CEO & Director

Thank you, Jason, and thank you, everyone, for joining us today. Our investment thesis remains consistent, focused and durable. It is a simple but powerful business model built on more than 2 decades of consistent performance, delivered execution, disciplined capital allocation and industry-leading results. With our long capital runway, top-tier regulatory environment, and our commitment to affordable customer bills through the CE Way plus digital and other cost savings, CMS Energy continues to deliver.

This proven model drives a premium total shareholder return, made up of 6% to 8% adjusted EPS growth compounded annually and paired with an approximately 3% dividend yield. For you, our investors, it means predictable earnings growth, a competitive dividend and long-term shareholder value. Today, I'm going to share with you our plans to further simplify and strengthen our model as we plan to exit nonutility renewables development and focus on what we do best.

Following a comprehensive strategic review of NorthStar, we are taking a deliberate step to simplify our business model and sharpen our focus on utility investment. We plan to exit nonutility renewable development while retaining a portfolio of Michigan-based assets, including Dearborn Industrial Generation, or DIG, several small gas peakers in 4 commercial solar projects, all of which generate strong cash flow and support our long-term growth strategy.

Let me share a little more about how this plan benefits the company and our investors. First, we plan to reallocate capital away from NorthStar and exit nonutility renewables development. Our current 5-year plan has approximately $1.7 billion dedicated primarily to nonutility renewables. This shift of capital will reduce parent funding needs. Second, the retained assets will not require significant capital investment, and they generate strong cash flow, further optimizing parent financing and supporting our large utility capital investment plan.

Additionally, as we look to the future, proceeds from the sale of our non-Michigan assets and development projects will further reduce external funding needs at the parent, including equity. Collectively, these 3 items equate to a reduction of over $500 million of funding through 2030, optimizing parent financing. Beyond 2027, we expect NorthStar's earnings to be driven primarily by DIG and the peakers.

On a consolidated basis, this means nearly 100% of our earnings and future growth will be rate-based driven within the utility, supporting higher quality growth while simplifying and strengthening our overall business strategy and outlook. We are targeting the restructuring to be complete by the end of this year and anticipate providing an interim update on future earnings calls as we execute the repositioning of this business.

Now let's talk about our growth in Michigan. We continue to see momentum across multiple sectors of Michigan's economy. On the data center front, we have made meaningful progress and have taken an additional step reaching an agreement under our large load tariff. This includes both the extraordinary facilities agreement and the rate agreement. We have one of the most constructive frameworks in the country for data center growth. Our large load tariff ensures new large load customers bear all costs to serve them, supports economic growth and protects existing customers.

In fact, our average residential electric customer could see approximately $7.50 per month of bill benefit with every gigawatt of new large load. Clear evidence of how disciplined growth supports customer affordability. The next step in the process is for the customer to receive local zoning approval and we will incorporate the load growth associated with the agreement into our Integrated Resource Plan, or IRP, which we'll file in September. I continue to be confident in the progress we see here and the future benefit realized for all our customers.

In addition to the large load growth we're seeing, year-to-date, we've also contracted roughly 135 megawatts of manufacturing and industrial load. This consistent momentum is a reflection of Michigan's economic growth, and why Michigan for the fourth year in a row was ranked #6 in CNBC's top states for business. We continue to see strong interest from technology, advanced manufacturing and supply chain companies looking to expand in Michigan. These opportunities create new jobs, strengthen our communities and continue to create long-term value for our customers and shareholders.

Looking at our regulatory calendar. In June, we filed our electric rate case requesting a $456 million revenue increase, a 10.25% ROE and a 51.75% equity ratio. We've also requested 2-year investment recovery mechanism, or IRM, as we make needed customer investments to harden and strengthen our electric grid. In our gas business, in June, we revised our revenue request in our gas rate case to $232 million, well aligned with staff's position on our distribution spend. We also increased our equity ratio to 51.75% to align with our electric rate case and reflect the need for a higher equity ratio to support affordability and efficient financing.

These investments are outlined with clear and deliberate plans focused on continuing to deliver safe, reliable and affordable energy for our customers. As I previously highlighted, we have moved our IRP filing to September to reflect the recent data center agreement and ensure we are putting the best plan forward for Michigan.

Now on to the financials. For the first half, we reported adjusted earnings per share of $1.50 and are executing on our plan to deliver full year guidance. We are reaffirming our full year 2026 guidance of $3.83 to $3.90 per share with continued confidence toward the high end. We also have a clear line of sight on our 2027 guidance given the change in strategy at NorthStar and are introducing full year 2027 guidance of $4.08 to $4.17, which maintains growth within our long-term guidance range of 6% to 8% off of 2025 actuals.

This guidance reinforces and demonstrates our confidence in the continued growth and earnings power of our business post-NorthStar restructuring. Longer term, we continue to guide towards the high end of our adjusted EPS growth range of 6% to 8%.

With that, I'll hand the call over to Sri.

Srikanth Maddipati
CFO & Executive VP

Thank you, Garrick, and good morning, everyone. I want to thank those of you who have reached out over the last few weeks with kind words of support as I've stepped into the CFO role. I've enjoyed getting to reconnect with many of you and look forward to seeing those I haven't over the remainder of the year. Today, I'll focus on 3 things: first half results, the path to delivering our 2026 guidance and how our investment and financing plans support durable long-term growth.

I'll start on Slide 8, where we have the standard waterfall chart which illustrates the key drivers of our financial performance through the first 6 months of 2026 and our year-to-go assumptions for meeting our expected guidance range. Through the first half of 2026, the company delivered adjusted net income of $464 million or $1.50 per share. The $0.23 year-over-year unfavorable variance is primarily due to benefits realized in the first half of 2025 from liability management that were already contemplated in our 2026 plan and do not impact our full year guidance.

Relative to our planned assumptions so far this year, the primary headwind has been the impact of storms, which we have identified actions to offset, including, but not limited to, the pending storm deferral filed with the commission. From a top line perspective, an unfavorable weather comp from last year and slightly lower cooling and heating degree days in Q2 versus normal, resulted in an unfavorable variance of $0.08 for year-to-date results. New rates net of investment costs drove a positive $0.20 of earnings, which continue to move up year-to-date with the benefits of last year's gas rate order, new electric rates, which commenced in May and continued investments in renewable projects at the utility.

The $0.19 of unfavorable O&M variance was primarily driven by the previously mentioned storm activity. The $0.16 of unfavorable parent and other includes items planned in our full year guidance as well as positive sales trends year-to-date. For the remaining 6 months to go, we'll continue to plan for normal weather, the unfavorable variance of $0.18 reflects the absence of weather upside in 2025. July temperatures have been helpful, we don't count on weather upside as part of our planning.

However, it does mitigate potential headwinds or allow reinvestment to benefit customers and strengthen the plan for the future. As I mentioned, we continue to see ongoing benefits from the previously mentioned rate orders and renewable investments. We are also planning a constructive outcome in our pending gas case. In total, we see rates, net of investment costs driving $0.22 of positive earnings in the second half.

We expect a positive $0.25 of O&M driven earnings in part by a constructive outcome in the pending storm deferral docket as well as normalized storm activity through the balance of the year. The last piece of the to-go portion of the walk results in a positive variance of $0.16 to $0.23 and has several components, including one, the absence of pull-aheads from last year that were funded by favorable weather in 2025; second, the continued performance of NorthStar, including DIG's higher contribution since last year's outage and new contracts this year; and third, a conservative assumption for non-weather sales, which, as I mentioned, are trending positively year-to-date.

While Garrick has already affirmed our financial objectives, I'll reiterate my confidence in our ability to deliver on this year's EPS guidance, our 2027 guidance that we have initiated today and our long-term EPS growth. Turning to Slide 9. The foundation of our long-term growth is the robust $24 billion utility investment plan, which drives 10.5% compounded rate base growth. Our decision to reposition NorthStar enables us to efficiently fund the current 5-year plan and over time, allocate incremental capital to the utility, providing high-quality durable earnings with strong long-term value. You'll note, we are highlighting a $2 billion capital opportunity for utility renewables related to the already approved renewable energy plan or REP. And an additional $1 billion of electric distribution reliability opportunity represented in the road map we've already filed with the commission.

These investments are opportunities in the back half of the plan as we continue to improve distribution reliability and meet Michigan's energy law requirements. As we have highlighted in the past, non-rate base earnings differentiate our model from a typical utility and have future growth potential. Energy efficiency incentives and the financial compensation mechanism, or FCM on power purchase agreements are key parts of Michigan's legislative framework and benefit customers and investors.

While energy efficiency remains a component of our long-term plan, it's a relatively mature program. The FCM has the potential to drive additional opportunity through this decade and the next as we continue to procure electric supply resources that ensure reliability as well as meet the renewable energy, clean energy and battery storage requirements of Michigan's energy law.

Let's move to Slide 10, where I'll cover the company's funding needs and progress in 2026. We remain on track to complete our 2026 financing plan, including planned debt issuances at the utility, and the remainder of our common equity issuance under our established ATM program. While we don't typically update our long-term financing plans during the year, in the context of the NorthStar decision, I would like to provide direction as to when and how future financings will likely be impacted.

Our current 5-year plan assumes a total of $3.75 billion of new equity. This year, we plan to issue $700 million and have already completed nearly $500 million at attractive prices. This leaves approximately $3 billion over the remainder of the plan. As we redeploy cash from NorthStar, we would anticipate reducing at least $350 million of equity from the current plan. We'll provide an update on our financing plan during the Q4 call as part of our normal annual planning process.

Turning to Slide 10. I want to spend a moment describing what gives us confidence in our investment thesis and how it delivers customer value and maintains affordability. This slide depicts how growth and affordability reinforce one another and do so year in and year out, delivering 6% to 8% earnings growth for investors, while keeping customer bill growth at below inflation. Our utility investments drive 10.5% rate base growth, and those investments help reduce customer costs and drive earnings growth. Long-term investments in electric supply and natural gas storage allow us to deliver significant cost savings as well as resiliency and reliability benefits to customers during the hottest days of the summer and the coldest days of the winter.

We have demonstrated the ability to manage operating costs through our lean operating system, the CE Way. This relentless focus on eliminating waste and driving efficiency through better process and automation enables us to deliver savings year after year, creating the headroom to make needed investments in distribution reliability and gas safety. Support for financially healthy utilities in both legislation and regulation means we can use our balance sheet to make long-term investments and leverage efficient financing to lower costs for our customers.

Finally, with 2% to 3% sales growth anticipated, and the ongoing customer benefits of energy efficiency, which is up to 2% on the electric side, we see lower customer bills as individual customer consumption is reduced and fixed costs are spread across increasing load. This proven and durable business model allows us to provide safe, reliable and affordable service to our customers and deliver consistent financial performance for you, our investors. While I'm new to my role, I'm not new to CMS.

The foundation of our business model is strong. And in the 12 years I've been with the company, the opportunities to serve our customers grow our state and drive long-term value for our investors have never been better. I'm confident in the strategy we are executing in the years and decades to come.

Now I'll turn it back to Garrick before we take your questions.

Garrick J. Rochow
President, CEO & Director

Thanks, Sri. At CMS Energy, we deliver. 23 years now of consistent industry-leading performance regardless of circumstances, year in and year out. You can count on CMS Energy to deliver for all of its stakeholders.
With that, Abby, please open the lines for Q&A.

Question and Answer

Operator

[Operator Instructions] And our first question comes from the line of Richard Sunderland with Truist Securities.

Richard Wallace Sunderland
Truist Securities, Inc., Research Division

I guess starting with NorthStar, to throw out the first question of kind of why now, is this all with an eye to higher utility growth and are you thinking about other opportunities related or outside of that business any differently, whether it's DIG recontracting or the progress on the data center efforts. Just kind of looking to get the big picture here. Can you speak a little bit more to the process and timing?

Garrick J. Rochow
President, CEO & Director

Yes. Let me just walk a little bit through from a process perspective, leading up to this, and then I'm sure Sri is going to want to jump in as well to the conversation here. You would expect as good fiduciaries of the business that we're always looking on a regular basis on our businesses, and we do that.

And we look at it from all stakeholder perspective, from customers all the way to investors. And from an investor standpoint, we're looking at how we deploy capital to bring the highest value back to our owners. And so the decision we're sharing here today does just that, right? We talked about reallocation of capital, the capital assets we're going to maintain with light capital investment and bring cash back to the parent, the disposition of assets. We walk through all that, and Sri will go into some additional details of that.

But I would also point out just the guidance we've provided as well, long term, 6% to 8% towards the high end. And we were deliberate about 2027 guidance because we're giving you the visibility but also sharing our confidence in the growth and earnings power of this business. And so what you should read through that is no rebase. That's what you should see in there.

And then just the bigger picture here because you talked about what other things we could do, we are simplifying. That is the key message, right? And we are improving the financials of our overall business, and we are focused on the utility. Nearly 100% of the earnings after '27 come right out of the regulated utility. That is a high-quality earnings that high-quality growth. That's what our investors expect. But Sri, please.

Srikanth Maddipati
CFO & Executive VP

Yes, Rich, I appreciate the question. I'll hit on Garrick's comment. We're focused on utility investment. We have a robust plan. I hit that in my prepared remarks at $24 billion. What this repositioning of NorthStar and restructuring does allows us to more efficiently finance that capital, both at the parent because we're reducing our financing needs. So that really strengthens and lengthens our plan. And then it improves our balance sheet flexibility as we continue to finance utility capital. So really, across the financing as well as the allocation of capital, we're strengthening the business and simplifying it.

Richard Wallace Sunderland
Truist Securities, Inc., Research Division

And then turning towards the utility, it looks like great progress in terms of the agreement with the data center. Curious if you could speak a little bit more to what still has to go on the customer side, your thoughts on that in light of expected inclusion in your IRP filing and just, I guess, progress overall there relative to sort of expectations earlier in the year and how things currently stand on sort of final, final agreements.

Garrick J. Rochow

President, CEO & Director

As I shared in the Q1 call, we'd continue to provide updates on progress, and I'm pleased with the progress. We talked about the signature, both in the rate construct and a rate agreement as well as the extraordinary facilities agreement. All that kind of fits under this large load tariff, and I talked about the benefit of that in my prepared remarks, and what that means for not only economic growth and capital investment but ensures existing customers don't pay for that.

In fact, there's a benefit associated with that. And we're very clear to share the zoning is still underway. The customer is working through that. And we want to be respectful of the locals and they're doing their due diligence. I've also talked about that on calls in the past. So we're going to let that play out. But what gives me optimism is the customer is working through multiple locations in the state.

And that tariff because it's a tariff, that contractual piece can apply anywhere in our service territory, which is great. And then we'll build that in September into our integrated resource plan that load growth. But Sri, would you like to add anything to that?

Srikanth Maddipati
CFO & Executive VP

No. The only thing I'd add, Garrick, is that the capital plan that we have today doesn't reflect that load growth. So there continues to be upside opportunity that will be reflected in the IRP that we'll incorporate over time into our plans.

Operator

And our next question comes from the line of Jeremy Tonet with JPMorgan.

Jeremy Bryan Tonet
JPMorgan Chase & Co, Research Division

I just wanted to dive in on the '27 guide. A little bit more if I could. Just wondering any preliminary thoughts at this point in time, obviously, depends on where full year falls for '26. But how you think you could land within the range there. And I imagine the renewables timing would also come into play here. But just any thoughts on how you think you could trend within that range?

Srikanth Maddipati
CFO & Executive VP

Jeremy, it's Sri. Thanks for the question. I'll give you a couple of things. One, we're not biasing the range. We provided confidence in that range. It's really driven by the utility growth. That's the underlying assumptions to the plan. As you think about 2027, we've already incorporated the repositioning of NorthStar into that guidance. So we're confident with the assumptions we've made. Now as we execute over the course of '26 and into '27, we'll update as part of our normal planning process as we go through the course of this year and next.

Jeremy Bryan Tonet
JPMorgan Chase & Co, Research Division

Got it. And then I just wanted to maybe dive in a little bit more, you talked about cost efficiencies in NorthStar restructuring. Just wondering if you could talk a little bit more detail about what categories these can look like and what type of magnitude.

Srikanth Maddipati
CFO & Executive VP

Yes. Jeremy, as we exit renewables development, there is costs associated with having that type of platform, both from an engineering and development perspective so we can get cost efficiencies from our business as we exit that business and deploy capital elsewhere.

Operator

And our next question comes from the line of Nick Campanella with Barclays.

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

Thanks for all the information and the early look on '27. I guess just -- I'm just trying to frame NorthStar last year was about $0.30, and our understanding is about half of that is the renewables and there's some debt costs in there as well. So what is the offset besides lower parent financing or maybe that's just entirely it? And when I kind of think about the year to go, there is about $0.16 to $0.23 of benefit from parent, financing, tax and other.

And I'm just wondering like how much of that is kind of onetime in nature that we have to kind of take out of '27 and really just trying to understand is the parent going to continue to see a year-over-year benefit net of all these drivers as we look towards '27?

Srikanth Maddipati
CFO & Executive VP

Jeremy -- sorry, Nick, I'll break the question apart a little bit. As you think about '27 and beyond, we are retaining DIG and a handful of renewables assets. Those will continue to provide earnings into '27 and beyond. And then when you think about the incremental cash from those assets that are no longer being deployed into renewables development, they'll offset parent financing. So over time, the utility growth will be more efficiently financed so you'll see continuing benefit at the parent year-over-year.

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

Continued benefit year-over-year. Okay. And then maybe just an update on how you're thinking about the storm deferrals in the plan that you've outlined today, maybe based off precedent and what's currently pending in front of the commission and just your underlying assumptions there?

Srikanth Maddipati
CFO & Executive VP

Yes. We are assuming a constructive order in that pending docket. But as I noted in my prepared remarks, that's not the limit to how we're going to consider planned or identifying offsets to storm costs over the course of the year. But we do have a good precedent for that from last year, and our performance continues to get better. So we expect a constructive outcome in that docket.

Operator

And our next question comes from the line of Julien Dumoulin-Smith with Jefferies.

Julien Patrick Dumoulin-Smith
Jefferies LLC, Research Division

Just wanted to come back on the announcement here this morning. Just with respect to the outlook, I wanted to ask, how accretive is this transaction, as best you guesstimate here today? I mean, obviously, there's a number of different moving pieces here, but is there any way to kind of give us a number by 2030 and how to think about what the increment or decrement is based on what you're announcing? I know that obviously, '27, '27, but as you look at the tail end of the outlook here, if you can comment to that and the relative accretion?

Srikanth Maddipati
CFO & Executive VP

Julien, nice to hear you. Yes, appreciate the congrats. A couple of things. Our outlook, our long-term growth trajectory hasn't changed, 6% to 8%. Garrick reiterated that, I'll reiterate the same. And what really this plan does is it doesn't change our growth outlook. It changes the composition of growth. We're reallocating capital away from NorthStar so more of the upside and more of the growth will come from the utility. And over time, we're financing that more efficiently by not allocating capital to renewable development at NorthStar. So you'll see us strengthen and lengthen our plan over time as we have more efficient financing at the parent.

Julien Patrick Dumoulin-Smith
Jefferies LLC, Research Division

Is there a way to think about what the contribution would have been, shall we say it this way, like when you think about the prior plan for 2030 and just what the assets would have contributed out in that time period, just that pre and post? Like what -- had it not been for this transaction, what the composition would have been out in the 2030 time period from those assets?

Srikanth Maddipati
CFO & Executive VP

So Julien, we are exiting the renewable development piece of it. So those were generating largely development gains related to developing those assets. What we're retaining is DIG, and so the earnings from that and the cash from that are being retained. And what that's doing is offsetting parent drag over time. So as you're thinking about -- you're kind of modeling out to 2030, you're seeing more -- the outlook for the utility stays the same. We have 10.5% rate base growth there. But you're going to see less and less drag at the parent, which is offsetting any of the renewables development earnings over time.

Julien Patrick Dumoulin-Smith
Jefferies LLC, Research Division

Right. So it was a positive earnings contribution in the 2030 time frame previously -- what you're selling it and replacing it for -- yes, go for it.

Srikanth Maddipati
CFO & Executive VP

Yes. And the way I think about it, Julien is 6% to 8%. We continue to have confidence in that growth. This is strengthening and lengthening the plan and is creating more durable earnings as we go out, not only through the plan but beyond the plan.

Operator

And our next question comes from the line of Shar Pourreza with Wells Fargo.

Shahriar Pourreza
Wells Fargo Securities, LLC, Research Division

Congrats, Sri, by the way, on your first role as CFO, first call. So Garrick, I know we've seen, obviously, Microsoft struggle a little bit with zoning in some of their sites in Michigan. I guess does the 20-year contract survive if zoning drags materially or fails outright? Is there kind of a drop dead date or a ramp in the agreement? And then obviously, you just mentioned that you're looking at -- they could be looking at multiple locations in the state. Could that be outside of your territory, maybe closer to Detroit?

Garrick J. Rochow
President, CEO & Director

Let me -- here's one of the wonderful things about our succession plan when you've got a financial expert assuming the role of CFO, who's also spent time in the operations, who has also not only dealt with power supply costs, but been in the conversations with the data centers. I'm going to ask him to respond to the question, just given his expertise.

Srikanth Maddipati
CFO & Executive VP

There's a couple of pieces to this, Shar. It's more than one customer. It's more than one location. And so that's what's giving us confidence. Like Garrick said, our construct for large load, I think, is one of the best in the country. It protects customers, it drives affordability and it drives certainty from an investment and credit perspective over the long run. And so I think we are well positioned to continue to attract large loads, both in the near term and long term.

Garrick J. Rochow
President, CEO & Director

And what I would just add to that, and I said it in my prepared remarks or in response to the question, that tariff has -- it's a tariff, right? And so as that customer thinks about different locations in the state, that has the flexibility to move along with them in those other locations. And so that's really the beauty of it. Thanks for your question, Shar.

Shahriar Pourreza
Wells Fargo Securities, LLC, Research Division

Got it. And then just lastly, on just the DIG recontracting, obviously, that's called out as upside. How should we be thinking about the timing of recontracting and the contracted merchant mix there?

Srikanth Maddipati
CFO & Executive VP

Shar, some of that will layer in into the back half of this year and even into next year. And then you should think of that as we try not to leave a lot of merchant outstanding to provide predictable earnings. So think of that in the back half of the planned '29, 2030 and beyond.

Operator

And our next question comes from the line of Travis Miller with Morningstar.

Travis Miller
Morningstar Inc., Research Division

Just back to NorthStar, just to be super clear here. What exactly is for sale if we just took the assets or renewable assets not in Michigan. So I'm looking at Ohio, Texas, et cetera. Is that what's actually for sale and then contrasting that with what you would save in future development? Just trying to get an idea of how it's either earnings neutral or earnings accretive proceeds versus savings and capital over the next 3 to 5 years.

Garrick J. Rochow
President, CEO & Director

Travis, I'll walk through the assets a bit with you and then hand it over to Sri to finish the conversation. And so think of this as those out-of-state assets that are renewables. Some of them are constructed, some are development assets. There's also a bit of assets in Michigan that are being dispositioned as well. And so we've been very clear to talk about what's in. And again, I'll just reiterate that Dearborn Industrial Generation, a couple of small gas peakers, they go by the names of Kalamazoo and Livingston and 4 commercial solar projects in Michigan. That's what we're retaining as part of NorthStar. But Sri, please?

Srikanth Maddipati
CFO & Executive VP

Yes. Travis, a couple of pieces and Garrick highlighted some of this in his prepared remarks. One, you have lower capital allocation to NorthStar. So that's the $1.7 billion of capital. That frees up capital efficiency at the parent. So that's one piece. The second piece is the cash flow from DIG and the peakers and the retained Michigan assets that were otherwise going into development at NorthStar will now fund and offset parent funding needs.

And then lastly, over time, we can sell the non-Michigan assets, and we've incorporated all of that into the $500 million plus of funding offset that we've disclosed here. So all 3 of those combined give about $500 million funding offset over time.

Operator

And our next question comes from the line of Michael Sullivan with Wolfe Research.

Michael P. Sullivan
Wolfe Research, LLC

Another congrats to Sri. Welcome back. I just wanted to clarify on the utility CapEx opportunity. Is the $3 billion upside you spoke to in the plan and part of the long-term growth rate reaffirmation? And if not, how do you think about the financing there? So you talked about bringing down the equity needs, but then what happens with the equity needs? How do you fund, like, the incremental CapEx, if that wasn't included today?

Srikanth Maddipati
CFO & Executive VP

Michael, I appreciate the question. Thanks for the congrats. A couple of pieces there. No, it's not in the plan. Those are upside opportunities in the plan in the back half and beyond. And part of the benefits that we have from the repositioning of NorthStar is the strengthening and the increased flexibility of the balance sheet. And so we wouldn't necessarily take up the equity for that incremental capital. Now we'll incorporate that and update our financing plans over time as we incorporate that capital into the plan.

Michael P. Sullivan
Wolfe Research, LLC

Okay. Understood. And then I'll take like another crack at some of the questions just on NorthStar, like what's still assumed or was previously assumed. Is it fair to say that when you talk about nearly 100% utility, it's predominantly just to get that $70 million a year pretax run rate as the residual nonutility earnings in the plan now?

Srikanth Maddipati
CFO & Executive VP

Yes, that's the right way to think about it.

Michael P. Sullivan
Wolfe Research, LLC

Okay. And then last one, what specifically would enable starting to target the high end of '27? Is it just getting through more of the year? Or are there other levers or opportunities that you're looking to capture in the coming months that could help get you there?

Srikanth Maddipati
CFO & Executive VP

Yes, Michael, I'll just remind you, it's early for 2027, we're comfortable with the assumptions we've got embedded as we execute over the course of '26 and get visibility on those assumptions. We'll incorporate that into our planning process. Like I said, we typically don't provide guidance this early, but given the change in NorthStar strategy, we wanted to make sure investors had visibility into how we were thinking about the business, but we'll update that as part of our planning process over the course of this year and into early next.

Operator

And our next question comes from the line of Sophie Karp with KeyBanc.

Sophie Ksenia Karp
KeyBanc Capital Markets Inc., Research Division

Congratulations on the first earnings call in the new role, Sri. Could we talk a little bit about the economics of the remaining peakers and the solar, I guess, assets in Michigan? Are those also long-term contracted similar to DIG? Is there like upside from those? And kind of related to this, would you consider down the road an option to absorbing those into your rate base somehow?

Srikanth Maddipati
CFO & Executive VP

Yes. Let me answer. When we think DIG and the peakers and the capacity position, those are contracted in a similar fashion. And then the retained solar assets are on long-term contract as well. While we're not assuming significant earnings past '27, they do generate cash flow that help the parent as well. In terms of rate base, I think that's too early. That's not going to be incorporated into this IRP. It obviously provides flexibility over time, but we're comfortable with the way those assets are contracted outside of the utility.

Sophie Ksenia Karp
KeyBanc Capital Markets Inc., Research Division

Got it. Got it. And then going to the -- back to the data center topic, how are you thinking about demonstrating, I guess, customer benefits from data centers from your contract? Is that just kind of like offsetting the rate cycle or maybe reducing future rate asks? Or is there a more explicit way to show it to people via a bill credit of some kind? I guess, what is the -- and if you could maybe talk through some kind of rule of thumb like for every gigawatt you sign, how much of the rate increase would be displaced, right? And even the rate increase would be displaced, something along those lines. Any color would be appreciated.

Garrick J. Rochow
President, CEO & Director

Appreciate the question, Sophie. In fact, we're doing this just that. As I referenced in my prepared remarks, for every new gigawatt of large load signed under the tariff here, that equates to roughly $7.50 of bill benefit for the average residential electric customer that's real savings with this growth as a result of our large load tariff and how that is structured.

And so we're being very open with the communities, with customers about that benefit. And part of that process, as that load comes on, as that load is generated, those savings flow back to customers through the rate case process. And so we're looking to do that to show that to show them the benefit. But right now, it's about making it visible for our customers in terms of just putting the real dollars and cents to it.

Srikanth Maddipati
CFO & Executive VP

Sophie, the only thing I would add to Garrick's comments is as we -- under that tariff, we're spreading around larger of the fixed costs over a bigger base. And under the large tariff, those customers pay for the incremental resources they need. And I'll just point you to the slide that we had in our deck. It's just a proven and durable business model that reiterates itself. Affordability and growth can reinforce each other.

Operator

[Operator Instructions] And our next question comes from the line of Andrew Weisel with Scotiabank.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Good to see Sri back in the seat. First question is on the regulatory side, I think there was some comments about the IRP being pushed to September to -- related to the data center opportunity. Can you just maybe explain a little bit more, would that suggest that you'll be including generation related to that data center customer? And if so, would that look like baseload gas or something like that?

Garrick J. Rochow
President, CEO & Director

Well, I look forward to sharing more and more of our IRP as we approach the September time frame. We've done a lot of foreshadowing. We know from the renewable energy plan, there's 13 gigawatts of renewables that have been approved -- pre-approved that flow into the integrated resource plan. There's battery storage as required by state law, but in fact, to be able to ensure reliability, we have to add more battery storage across the system.

And we've been very clear, too, to foreshadow the importance of during certain hours of the day where there's not solar and the batteries are depleted, you need gas turbines, simple cycles and 1.5 gigawatts to replace. Really to ensure reliability during those hours, and it works to replace our current 3 and 4 facility which is an oil and gas-fired peakers, 1.2 gigawatts. And so it's almost a direct replacement for that as well.

So that's a big piece of it. That's there. And now we're also sharing that load growth is going to be incorporated into our integrated resource plan. But to be clear, we're not connecting gas with data centers. That's not something like gas equals data centers. There's a really nice solution that we can put in place. And we'll share more of that as we get into our IRP in the September time frame.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Okay. Sounds good. And then also on the regulatory front, the storm deferral, I understand you've got the docket underway but we also had another storm mid-summer. How do you think about the potential another round of that? Would you worry about overusing the mechanism relative to traditional storm cost recovery? Or are you waiting to see how the first docket goes before making those decisions?

Garrick J. Rochow
President, CEO & Director

I'm going to like just talk about the big picture here for a moment and what gives us confidence from a storm deferral perspective here. Big picture, our reliability performance, our storm process is improving. We were once a fourth quartile company. Now we're solidly in third quartile approaching second quartile in terms of performance.

In terms of restoration over the first 6 months of the year, 92% of our customers were restored in 24 hours or less across that. And so like we're seeing all the right indicators. We've got a reliability road map, which we file with the commission, which is reflective of the Liberty audit. The staff, the commission have been constructive in terms of the investments needed. We're making those investments.

Every time we make those investments, we see and we measure the benefit. And we're actually just getting rolling on 5 years of tree trimming, a 5-year cycle, which is new for us. So that benefit to the customers is going to continue to show up and improve. Now we had some storms in July. I'd love for them to be perfect. I'd love for every storm. But July 4 storm is tough. I was even out in the field, the entire day on the fourth and talk with customers, talking with our team.

There are some things we did really well, but there's also some areas where we need to improve. And so we incorporate that into the process through our lessons learned and just continue on this path. But again, pulling back up to that bigger picture, where we're headed, where we're going, that's what gives me confidence in the storm deferral process and that mechanism that's been created. And then two, it's really reflective of our Q1 storm, which was an ice storm which performed much better than the previous ice storm as well. So it's all those things that give Sri confidence that give me confidence in the storm deferral.

Srikanth Maddipati
CFO & Executive VP

Yes. And Andrew, I would just say we have confidence, one, because of the precedent from last year around a storm deferral. And we have opportunity to wait through the course of the summer before we decide if there's a need for anything else. We're always managing headwinds and tailwinds over the course of the year, as I noted in my prepared remarks. So we have an opportunity if there's need for incremental to wait through the course of the summer and into the fall.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Okay. Great. That's very helpful. One last small one, if I could squeeze it in related to NorthStar. Am I understanding correctly that the 2027 guidance assumes that some assets will be sold, and therefore, you've got $0.25 to $0.30 of guidance in 2026. You're not giving that level of detail, but would it be fair to assume that the '27 contribution from NorthStar would be less because you're assuming some assets that will be sold, but not yet assuming cash proceeds lowering equity needs. Is that a fair way to think of it?

Srikanth Maddipati
CFO & Executive VP

The way I would think about it, Andrew, is that we are retaining some of the assets and we have incorporated that into the '27 guide. You're right. We're not going to break down at this point, the different contributions, but we have incorporated the assumption that we would sell down some of the assets at NorthStar.

Operator

And our final question comes from the line of Anthony Crowdell with Mizuho.

Anthony Christopher Crowdell
Mizuho Securities USA LLC, Research Division

Just one quick one. You're very clear on what you sold from NorthStar. You talked about the recontracting opportunities on DIG. Just curious, why not have DIG part of the sale process? Like you've kept it, you're clear that you're keeping it. Is it that you think it's a rate base opportunity going forward? Are you just using it as optionality in the portfolio maybe to offset equity needs in the future. Just curious on why keeping DIG and not just selling all of NorthStar?

Srikanth Maddipati
CFO & Executive VP

Yes. Thanks for the question, Anthony. One, DIG is an asset for which generates significant cash flow, and it doesn't require significant incremental CapEx to get that cash flow. And so it really helps offset parent financing. You'd have to get significant value for that, and it's a core asset for us from a capacity and energy perspective, and we're comfortable and we know it well.

Operator

And that concludes our question-and-answer session. I would now like to turn the call back over to Mr. Garrick Rochow for closing remarks.

Garrick J. Rochow
President, CEO & Director

Thanks, Abby. I'd like to thank you for joining us today. Take care and stay safe.

Operator
And ladies and gentlemen, this concludes today's call, and we thank you for your participation. You may now disconnect.